

Message Text

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ACTION AID-59

INFO OCT-01 NEA-10 ISO-00 SP-03 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 ABF-01 IGA-02

DRC-01 AGR-20 /213 W

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R 251136Z APR 74

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 4402

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FROM AMBASSADOR

PASS AID FOR MACDONALD

E.O. 11652: N/A

SUBJ: ECONOMIC ASSISTANCE PROGRAM FOR FY 1974

REF: A. ISLAMABAD 2471; B. STATE 79938

BEGIN SUMMARY: I HAVE BEEN REVIEWING WITH MY STAFF THE
VEGETABLE OIL SITUATION IN PAKISTAN AND FEEL IT PRESENTS US
WITH AN OPPORTUNITY. ACTION RECOMMENDED: THAT WE
INCREASE THE FUNDING IN THE PL-480 TITLE I VEGETABLE OIL
AGREEMENT TO THE AMOUNT REQUIRED TO ENABLE THE GOP TO
PURCHASE THE ORIGINALLY CONTEMPLATED TOTAL OF 40,000 TONS.
END SUMMARY.

1. I AM PLEASED TO LEARN THAT A PROGRAM LOAN LEVEL OF \$35
MILLION IS UNDER CONSIDERATION (REF B) AND HOPE THAT FUNDS
WILL BE FOUND TO SUPPORT THIS LEVEL.

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2. I AM ALSO PLEASED TO LEARN THAT PA'S FOR 20,000 TONS OF VEGETABLE OIL FOR PAKISTAN HAVE BEEN ISSUED. I HOPE THAT A PA FOR THE \$4.8 MILLION REMAINING IN THE AGREEMENT WILL BE ISSUED SOON.

3. PRODUCTION OF VEGETABLE GHEE REMAINS A MATTER OF TOP POLITICAL CONCERN TO THE GOVERNMENT AND TO THE PRIME MINISTER PERSONALLY. THE GOVERNMENT IS FIRMLY COMMITTED TO PROCURING FROM ABROAD A TOTAL OF 194,000 TONS OF VEGETABLE OIL. THIS IS THE AMOUNT THEY CALCULATE THEY NEED TO MEET THEIR TARGET FOR VEGETABLE GHEE PRODUCTION. TO DATE THEY HAVE PROCURED A TOTAL OF 146,000 TONS USING \$94 MILLION OF THEIR OWN SCARCE FOREIGN EXCHANGE. THIS IS IN ADDITION TO PL 480 FINANCED OIL. AND THIS IS IN THE FACE OF AN ANTICIPATED BALANCE OF PAYMENTS GAP OF \$100-150 MILLION.

4. THE FUNDS PRESENTLY AVAILABLE UNDER OUR PL-480 AGREEMENT WILL BUY 26,000 TO 27,000 TONS OF VEGETABLE OIL, A SHORTFALL OF 13-14 TONS FROM THE ORIGINALLY CONTEMPLATED 40,000 TONS. BECAUSE OF THE POLITICAL IMPERATIVES INVOLVED, THE GOP WILL MAKE FURTHER CASH PURCHASES TO COVER THIS SHORTFALL IF THE AGREEMENT REMAINS UNCHANGED. IN VIEW OF THIS, AND FOR THE REASONS GIVEN IN MY MESSAGE OF MARCH 13 TO THE SECRETARY (REF A), I STRONGLY RECOMMEND THAT THE VEGETABLE OIL AGREEMENT BE AMENDED TO ADD SUFFICIENT FUNDING TO PERMIT THE GOP TO PURCHASE THE ORIGINALLY CONTEMPLATED TOTAL AMOUNT OF 40,000 TONS.

5. I RECOGNIZE THAT WE DID NOT PROMISE TO DO THIS IN THE ORIGINAL AGREEMENT, BUT I BELIEVE THIS IS ONE OF SEVERAL WAYS WE CAN BE HELPFUL TO PAKISTAN IN THEIR EFFORTS TO BALANCE THEIR FOREIGN EXCHANGE BUDGET. IT ALSO OCCURS TO ME THAT, SINCE THIS OIL WILL BE PROCURED ON THE WORLD MARKET WHETHER WE FUND IT OR NOT, THE MARKET IMPACT OF PROCUREMENT UNDER PL 480 SHOULD BE LIMITED. THE REAL ISSUE IS OUR POSTURE OF SUPPORT TO PAKISTAN.

DECONTROL JUNE 30, 1974

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